

W. T. GRANT COMPANY

Annual Report 1954

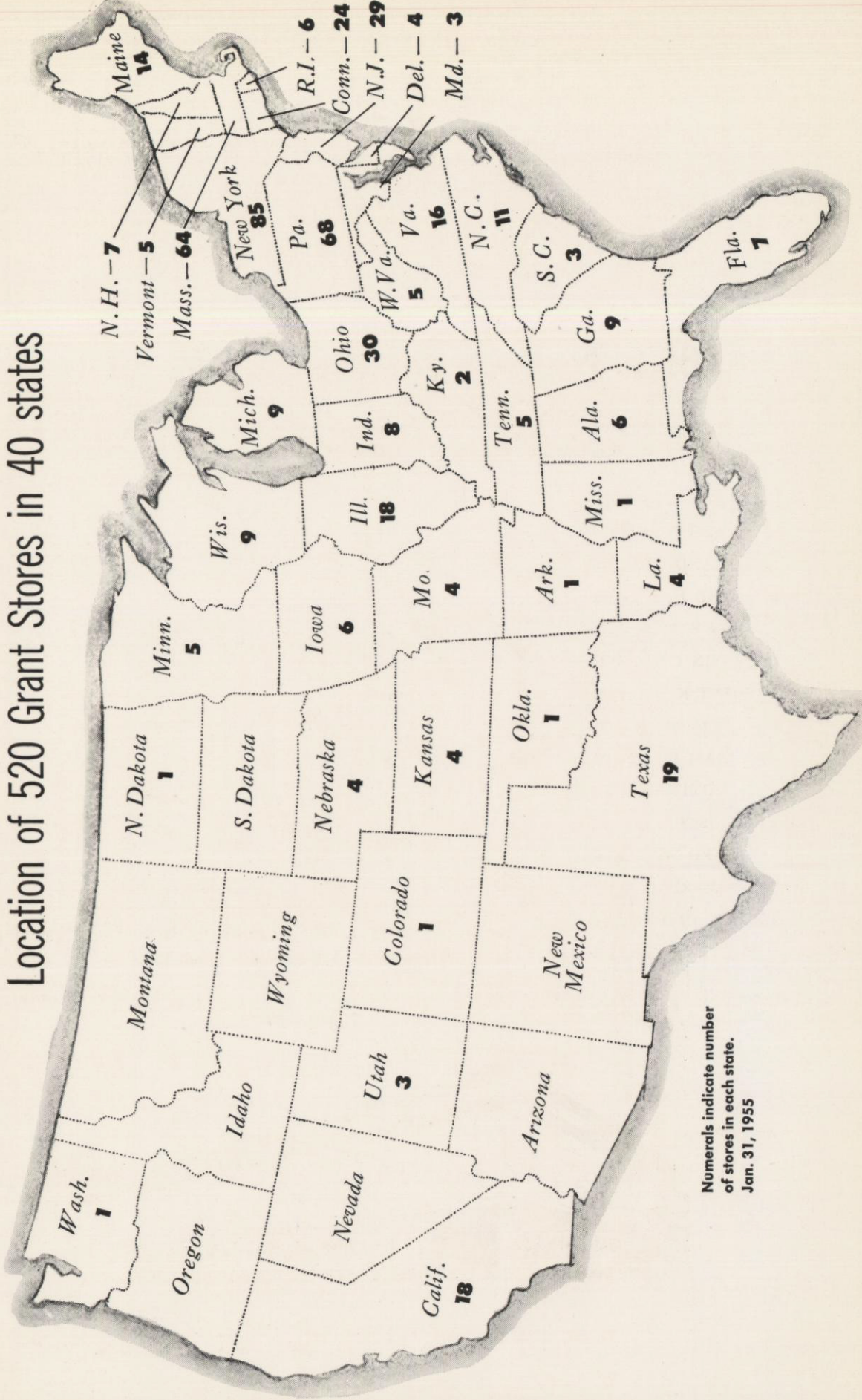
GRANTS

BOARDS

0668.47

G7673

Location of 520 Grant Stores in 40 states



Numerals indicate number of stores in each state. Jan. 31, 1955

W. T. Grant Company

(founded in 1906 at Lynn, Mass.)

Executive and Buying Offices

1441 Broadway, New York 18, N. Y.

directors

WILLIAM T. GRANT
Chairman

JOHN G. BYLER

JOSEPH W. CHINN

HOWLAND S. DAVIS

RAYMOND H. FOGLER

CLAYTON E. FREEMAN

PERRIN C. GALPIN

HERBERT K. GARGES

JOHN M. HANCOCK

WILLIAM L. KLEITZ

J. LUTHER KNIES

LOUIS C. LUSTENBERGER

WARD MELVILLE

EDWARD STALEY

ROBERT R. UPDEGRAFF

WALTER P. ZELLER

officers

WILLIAM T. GRANT.....*Chairman of the Board*

EDWARD STALEY.....*President and General Manager*

LOUIS C. LUSTENBERGER.....*Executive Vice President*

JOHN G. BYLER.....*Financial Vice President*

J. LUTHER KNIES.....*Merchandise Vice President*

GORDON ANDERSON.....*Vice President*

M. F. KETZ.....*Comptroller*

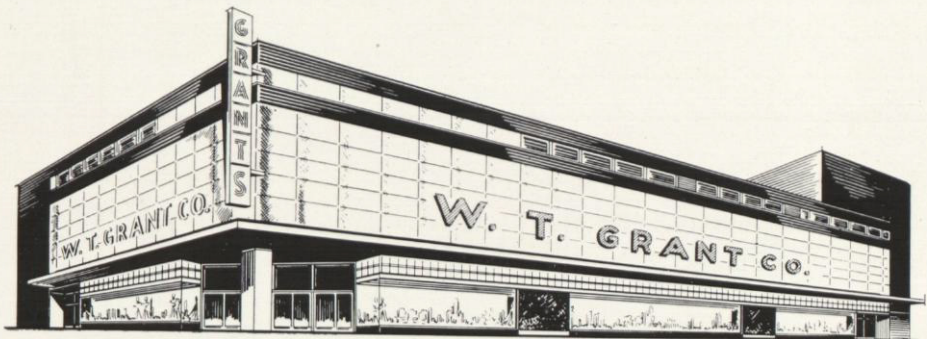
WARREN G. FINNAN.....*Treasurer*

CHARLES W. RIVOIRE.....*Secretary*

GEORGE W. MIDDLETON.....*Assistant Comptroller*

E. M. FOLEY.....*Assistant Secretary*

Guaranty Trust Company of New York, Transfer Agent
Bankers Trust Company, New York, N. Y., Registrar



Spokane, Washington — Grants first store
in the northwest opened September 30, 1954

The story in brief

Fiscal Years Ended January 31,

	1955	1954
Sales	\$317,157,138	\$299,767,741
Earnings before taxes	\$ 18,584,710	\$ 18,919,783
Provision for Federal income taxes	\$ 9,975,000	\$ 10,975,000
Amount per common share	\$4.09	\$4.53
Cents per sales dollar	3.1¢	3.7¢
Net earnings after taxes	\$ 8,755,461	\$ 8,044,550
Cents per sales dollar	2.8¢	2.7¢
Earnings per common share	\$3.36	\$3.09
Dividends paid per preferred share	\$3.75	\$3.75
Dividends paid per common share	\$1.50	\$1.50
Total dividends paid	\$ 4,210,765	\$ 4,187,764
Earnings retained in the business	\$ 4,544,696	\$ 3,856,786
Depreciation and amortization	\$ 4,215,288	\$ 3,739,806
Merchandise inventories	\$ 45,676,626	\$ 39,564,481
Working capital	\$ 46,553,306	\$ 41,956,211
Fixed assets at year end	\$ 38,245,012	\$ 38,189,407
Total salaries and wages	\$ 53,461,908	\$ 49,402,545
Other employee benefits	\$ 3,554,382	\$ 3,272,266
Total compensation and other benefits	\$ 57,016,290	\$ 52,674,811
Cents per sales dollar	18.0¢	17.6¢
Book value common stock — per share	\$31.07	\$29.21
Number of preferred stockholders	716	766
Number of common stockholders	5,852	6,002

W. T. GRANT COMPANY

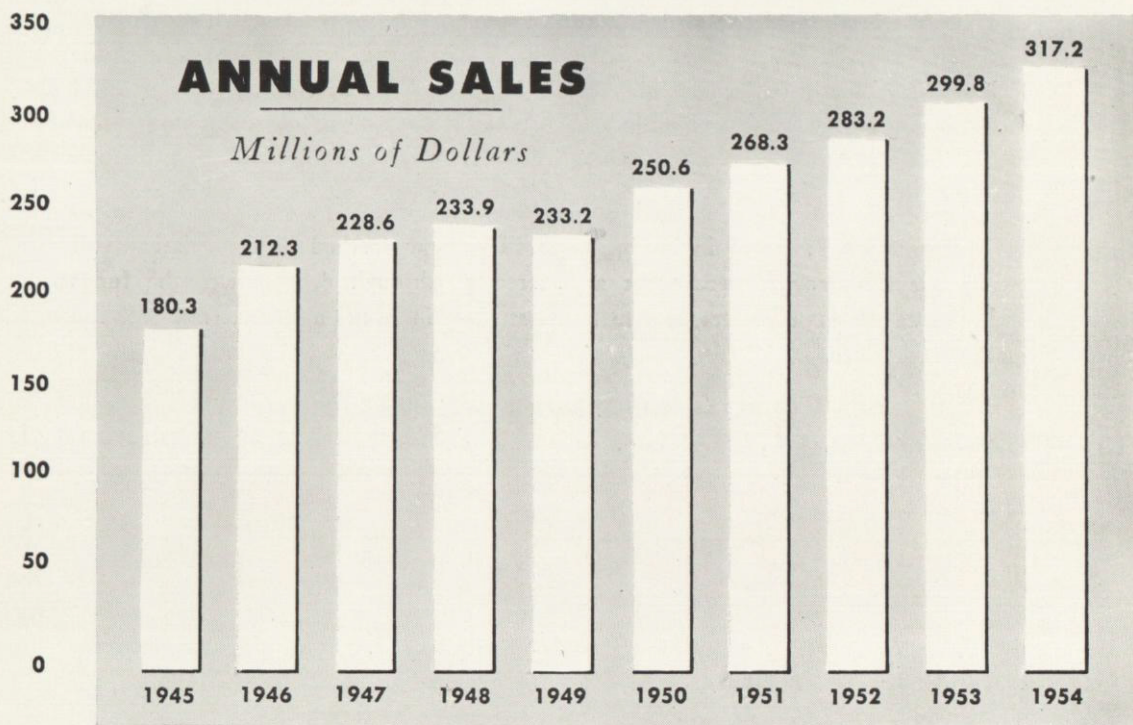
1441 Broadway, New York 18, N. Y.

To the Stockholders:

This is our 48th annual report to stockholders. It contains, for the fiscal year ended January 31, 1955, comparative financial statements, and the report of Ernst & Ernst, independent public accountants appointed by the Board of Directors.

SALES—Sales for the year were \$317,157,138, an increase of \$17,389,397, or 5.8% over 1953. These sales set a new all-time high and for the first time in the Company's history, exceeded the three hundred million mark.

The entire increase in sales came from new and enlarged stores opened in 1953 and 1954, as identical stores, which are stores that were in operation during the full years 1953 and 1954, experienced a 2% decrease in sales in 1954. This decrease came entirely in the first three quarters of the year, as sales in these stores, for the fourth quarter of the year, were slightly above a year ago.



EARNINGS — The net earnings after taxes for 1954 totalled \$8,755,461 which, after dividends on the preferred stock, equalled \$3.36 per share of common stock on 2,438,628 shares outstanding at the year end. This includes \$145,751, or 6 cents per share for net refund of prior years excess profits taxes.

In 1953, the net earnings were \$8,044,550 or \$3.09 per share of common stock on 2,422,188 shares outstanding at the end of 1953. This included \$99,767, or 4 cents per share for net refund of prior year excess profits taxes.

For 1954, the earnings before federal income taxes were \$18,584,710, which was \$335,073 under the \$18,919,783 for the preceding year.

The lower pre-tax earnings are entirely accounted for by lower earnings in the identical stores, resulting from the decrease in sales in these stores, previously noted in this report.

The earnings for both years are stated on the LIFO method of valuing inventories.

TAXES — Federal income taxes for the fiscal year 1954 were \$9,975,000. This compares with \$10,975,000 for 1953 which included \$940,000 for the excess profits tax that expired at the end of 1953. The 1954 federal income tax provision equalled \$4.09 per share of common stock, which compares with \$4.53 per share in 1953.

In computing the 1954 federal income taxes, the Company used the so-called sum-of-the-years-digits method of depreciation for furniture and fixtures acquired after 1953, which is permitted by the Internal Revenue Code of 1954. The new method allows faster depreciation of assets during the early years of their life than the so-called straight line method which the Company has always used.

While this new method provided an increase of \$216,000 in depreciation for tax purposes in 1954, the total depreciation taken for tax purposes was less than that taken on the books and reflected in the financial statements in this report because the Company has consistently taken higher depreciation on assets acquired prior to 1954 than that allowed for taxes, and the present revised tax law did not provide for any change in depreciation of assets acquired in prior years.

Adoption of the new method of depreciation, for tax purposes only, resulted in a deferral of \$112,000 in income taxes. This new method of depreciation will enable the Company to recover at a faster rate, through depreciation, the funds spent for capital expenditures, and to re-invest them in additional new, enlarged, and modernized stores.

DIVIDENDS AND RETAINED EARNINGS — During 1954, the regular quarterly dividends totalling \$3.75 per share were paid on the preferred stock. Dividends totalling \$1.50 per share were also paid on the common stock, which was the same as in 1953.

The common stock dividend paid on April 1, 1955 was increased from the previous quarterly rate of 37½ cents to 45 cents.

After total fiscal year 1954 dividends of \$4,210,765, net earnings retained for use in the business amounted to \$4,544,696, compared to \$3,856,786 in 1953.

FINANCIAL POSITION — Working capital increased \$4,597,095 during the year, as following schedule indicates:

	<u>January 31, 1955</u>	<u>January 31, 1954</u>
Total current assets.....	\$69,163,333	\$64,739,975
Total current liabilities	22,610,027	22,783,764
Working capital	<u>\$46,553,306</u>	<u>\$41,956,211</u>

Merchandise inventories on hand and in transit at January 31, 1955, were \$45,676,626 or \$6,112,145 above a year ago. The increase is principally in new and enlarged stores and in line with our sales plans for the first quarter of 1955.

During the year, the Company started to sell its customer installment accounts to a bank. At the year end, receivables totalling \$2,984,640 were sold, with the Company retaining equity in ten percent of the amount sold.

During the latter part of 1954, the Company changed its agreements in connection with its investment in Zeller's Limited of Montreal, Canada. As detailed in Note B to the financial statements, the Company, during 1954, converted the former note into 125,000 shares of Zeller's common stock; purchased outright 3,000 shares; and agreed to purchase the balance of 184,500 shares of common stock remaining under the former option, between January 1, 1956 and February 1, 1960. Until purchased, such balance of stock is in escrow, with voting rights vested in the Company, thereby giving the Company voting control of 50% of Zeller's Limited common stock.

CAPITAL PROGRAM — During 1954, the Company completed 51 major capital program projects, compared to 55 in 1953. The 1954 program included 20 stores in new communities, of which 6 were park-and-shop and 14 were down-town locations; 25 stores were enlarged and reopened in new buildings on relocated or existing sites; and 6 were enlarged stores by addition to existing buildings.

The 20 new communities where we opened stores during the year were:

Park-and-Shop Locations

Dallas, Texas	Pasadena, Texas
Hicksville, N. Y.	Sharon, Pa.
Massilon, Ohio	Smyrna, Ga.

Down-Town Locations

Auburn, N. Y.	Harlingen, Texas	Moline, Ill.
Bellflower, Calif.	Inglewood, Calif.	Newark, Del.
Brattleboro, Vt.	Kearney, Nebr.	Salisbury, N. C.
Gettysburg, Pa.	McAllen, Texas	Spokane, Wash.
Hamilton, Ohio		Texas City, Texas

The 1954 capital program expenditures for construction and equipment totalled approximately \$14,600,000. After repayments of approximately \$8,300,000 made or to be made by owners for construction outlays by the Company, the net capital program cost to the Company was approximately \$6,300,000 which compares with \$7,200,000 in 1953.

After taking into account the 20 new stores opened and the permanent closing of 2 small stores during the year, there were 520 Grant stores at the year end, including 3 temporarily closed while under construction, which compares with 502 stores, including 3 temporarily closed a year ago.

At the year end, there were 48 major projects under construction for 1955 occupancy. This includes 19 park-and-shop and 19 down-town stores in new communities; 6 stores in new and enlarged buildings on relocated or existing sites; 2 stores to be enlarged; and 2 stores to be modernized. It is estimated that the 1955 capital program expenditures will total approximately 10% more than the 1954 program.

PERSONNEL AND ORGANIZATION — Including part-time and extra people, there were approximately 24,600 employees at the year end, which compares with 22,900 a year ago.

During the year, 83 men and women completed 25 years of service with the Company and became welcome members of The W. T. Grant Quarter-Century Club. At the year end, there were 346 employees in active service with over 25 years of experience.

During 1954, fifty-one employees retired under the Employees' Retirement Plan. At January 31, 1955, there were 285 retired employees receiving retirement benefits under the Plan.

For 1954, salaries and wages totalled \$53,461,908 which is \$4,059,363 above 1953. Other employee benefits totalled \$3,554,382, compared to \$3,272,266 in 1953. Among the other benefits, there were \$1,383,414, compared with \$1,388,201 for 1953, contributed by the Company to the retirement plan; and \$1,585,308, compared with \$1,374,399 for 1953, of social security taxes paid by the Company for future employee benefits, which is in addition to such taxes withheld from employee wages and salaries and paid to the various state and federal governments.

Thus, for 1954, salaries, wages, and other benefits totalled \$57,016,290 or 8.2% above the \$52,674,811 in 1953. The 1954 amount equalled 18.0 cents of each sales dollar, compared with 17.6 cents in the previous year. This continues to be the Company's heaviest expense.

During 1954, the Company continued to emphasize better execution of its program of personnel training and development, the aim of which is to afford opportunity to employees to "grow" and be prepared to successfully take advantage of the many opportunities provided by our steady expansion program.

In connection with the Company's investment in Zeller's Limited, Edward Staley, president and general manager, and Louis C. Lustenberger, executive vice

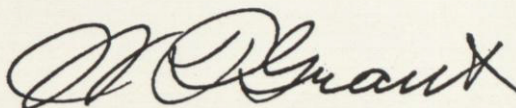
president of the Grant Company, are members of Zeller's Board of Directors. In addition, early in 1955, George L. Cobb, formerly Grants director of store planning, went to Zeller's Limited in a managerial capacity, and on March 10, 1955, was elected executive vice president of Zeller's and a member of its Board of Directors. The Company plans to continue to work closely with the Zeller Company and its people in the profitable operation of their company along the pattern they have developed over the years.

During the latter part of 1954, the Company closed its warehouse in Jersey City, N. J. and moved it to new and enlarged quarters in Metuchen, N. J. At the time of the move, a union claimed representation as bargaining agent for the employees and won the election that was held in connection therewith. During the negotiations that followed, the union called a strike that was in progress at the year end, and the operations of the new distribution center have accordingly been retarded.

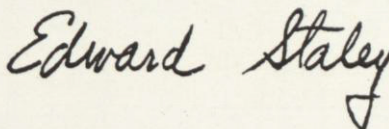
The Company recently signed a lease for the entire building at 1441 Broadway, New York 18, N. Y., where most of its executive offices are now located. Lease will run until May 1, 1976, with options for renewal thereafter. Under this arrangement, the Company expects to consolidate all its home office departments now located in three locations in mid-town New York, and to provide space for necessary expansion in the years ahead.

OTHER COMMENTS — In retrospect, we rate the 1954 performance as generally good. It could not have been achieved without the splendid cooperation of our suppliers and the continued competitive spirit and loyalty of our employees, both of whose contributions we sincerely appreciate.

While we expect the year 1955 to be as competitive as was 1954, our goal will continue to be to sell more merchandise to more people, at a reasonable profit; and to maintain a steady program of expansion.

A handwritten signature in cursive script, appearing to read "W. Grant".

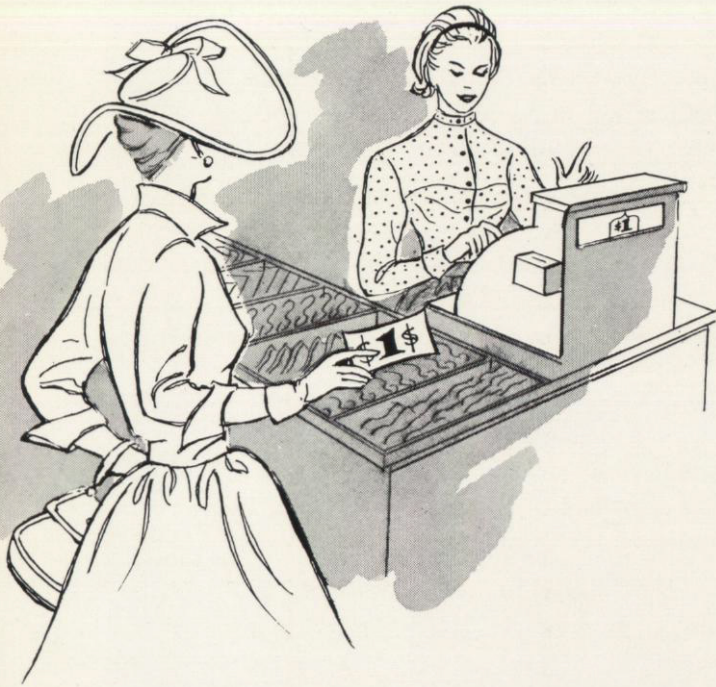
Chairman of the Board

A handwritten signature in cursive script, appearing to read "Edward Staley".

President and General Manager

April 7, 1955

when a customer spent \$1 at Grants in 1954...



73.1 cents went to suppliers, landlords, etc.

18.0 cents went to employees

4.5 cents went for taxes

1.7 cents went for wear and tear of stores

1.3 cents went as dividends to Stockholders

1.4 cents was left in the business to build new stores, enlarge old stores, etc.

... and this is what happened to the customer's dollar in the last 3 years

<u>1954</u>	<u>1953</u>	<u>1952</u>	
cents	cents	cents	Of each dollar a customer spent
73.1	73.1	73.2	went to suppliers*, etc.
18.0	17.6	17.1	went to employees in compensation and for other benefits
4.5	5.0	5.4	went for federal, state, and local taxes
1.7	1.6	1.6	went for depreciation, maintenance, and repairs
1.3	1.4	1.5	went as dividends to stock holders
1.4	1.3	1.2	was left in the business

W. T. Grant Company

Statement of Operations

Fiscal Years Ended January 31,

	1955	1954*
SALES	\$317,157,138	\$299,767,741
Cost of merchandise sold and operating expenses	294,433,836	277,268,038
	\$ 22,723,302	\$ 22,499,703
ADD:		
Interest earned	152,872	249,762
Other income	206,557	239,031
	\$ 359,429	\$ 488,793
	\$ 23,082,731	\$ 22,988,496
DEDUCT:		
Depreciation and amortization	4,215,288	3,739,806
Interest paid	124,455	154,197
Other deductions	158,278	174,710
Provision for federal taxes on income, including \$940,000 for excess profits tax for year ended January 31, 1954 — Notes D and G	9,975,000	10,975,000
	\$ 14,473,021	\$ 15,043,713
	\$ 8,609,710	\$ 7,944,783
Refunds (net) of federal taxes on income for years 1940- 1942, under Section 722	145,751	99,767
NET EARNINGS FOR THE YEAR — Note G	\$ 8,755,461	\$ 8,044,550
DEDUCT:		
Cash dividends:		
On 3¾% Cumulative Preferred Stock:		
Four quarterly dividends of 93¾¢ each per share	562,506	562,506
On Common Stock:		
Four quarterly dividends of 37½¢ each per share	3,648,259	3,625,258
TOTAL DIVIDENDS	\$ 4,210,765	\$ 4,187,764
EARNINGS FOR YEAR RETAINED FOR USE IN THE BUSINESS	\$ 4,544,696	\$ 3,856,786
ADD:		
Restoration of excess of cost over par value of 2,400 shares of Common Stock (acquired in prior year), held for purpose of Deferred Contingent Compen- sation Plan — Note C	—	23,505
Earnings of prior years retained for use in the business	57,579,690	53,699,399
ACCUMULATED EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF YEAR — Note E	\$ 62,124,386	\$ 57,579,690

(See notes to financial statements.)

* Includes, on a consolidated basis, the accounts of a wholly owned subsidiary which was merged into the Company on June 30, 1953.

W. T. Grant Company

ASSETS

January 31,

	1955	1954
CURRENT ASSETS		
Cash	\$14,200,527	\$ 15,636,634
U. S. Government securities, at redemption value	173,735	234,078
Accounts receivable:		
Customers installment accounts not sold	8,794,241	9,087,536
Equity in customers installment accounts (\$2,984,640) sold	298,464	—
	<u>\$ 9,092,705</u>	<u>\$ 9,087,536</u>
Less allowances for doubtful accounts and for de- ferred carrying charges — Note G	1,227,503	915,378
	<u>\$ 7,865,202</u>	<u>\$ 8,172,158</u>
Other accounts receivable, claims, etc.	1,247,243	1,132,624
Total accounts receivable, net	<u>\$ 9,112,445</u>	<u>\$ 9,304,782</u>
Merchandise inventories (including merchandise in transit), principally at LIFO cost, not in excess of market — Note A	45,676,626	39,564,481
TOTAL CURRENT ASSETS	<u>\$ 69,163,333</u>	<u>\$ 64,739,975</u>
OTHER ASSETS		
Investment in Zeller's Limited, at cost — Note B	3,616,036	3,559,455
Cash surrender value of life insurance	2,691,172	2,604,069
Recoverable taxes if retroactive LIFO is not sustained — Note A	1,268,000	1,268,000
Building costs to be repaid by landlords	1,780,510	1,496,661
Sundry receivables and deposits	377,353	396,374
TOTAL OTHER ASSETS	<u>\$ 9,733,071</u>	<u>\$ 9,324,559</u>
COMMON STOCK OF W. T. GRANT COMPANY		
At cost, held for Deferred Contingent Compensation Plan — Note C	139,106	84,636
STORE PROPERTIES, FIXTURES, AND IM- PROVEMENTS		
Buildings, at cost	1,414,794	1,831,775
Furniture and fixtures, at cost	34,988,724	30,441,058
Improvements to leased properties, at cost	21,084,073	21,385,392
	<u>\$ 57,487,591</u>	<u>\$ 53,658,225</u>
Less allowances for depreciation and amortization	21,447,985	19,456,533
	<u>\$ 36,039,606</u>	<u>\$ 34,201,692</u>
Land, at cost	2,205,406	3,987,715
TOTAL STORE PROPERTIES, FIX- TURES, AND IMPROVEMENTS	<u>\$ 38,245,012</u>	<u>\$ 38,189,407</u>
DEFERRED CHARGES		
Prepaid taxes, rents and insurance, supplies, etc.	1,937,721	1,890,529
	<u><u>\$119,218,243</u></u>	<u><u>\$114,229,106</u></u>

Statement of Financial Position

LIABILITIES, RESERVES, AND CAPITAL

January 31,

	1955	1954
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 19,079,575	\$ 20,021,511
Federal taxes on income — estimated, less U. S. Government securities amounting to \$8,977,556 and \$10,008,752, respectively — Notes D and G	3,530,452	2,762,253
TOTAL CURRENT LIABILITIES	\$ 22,610,027	\$ 22,783,764
 RESERVES		
For reduction in inventory valuation less tax refunds, if retroactive LIFO is sustained — Note A	3,214,118	3,214,118
For uninsured risks	1,500,000	1,500,000
For repainting stores	848,137	793,937
For deferred contingent compensation — Note C	141,710	95,160
TOTAL RESERVES	\$ 5,703,965	\$ 5,603,215
 CAPITAL		
Capital Stock:		
Cumulative Preferred — \$100 par value — Note E:		
Authorized 250,000 shares		
Issued 150,000 shares of 3¾% series	15,000,000	15,000,000
Common — \$5 par value — Notes B, C, and F:		
Authorized 3,000,000 shares		
Issued 2,444,028 and 2,426,088 shares, respectively	12,220,140	12,130,440
Capital paid-in in excess of par value of shares issued	1,391,112	977,085
Amounts paid by officers and employees under contracts for 83,125 and 68,635 shares, respectively, of unissued Common Stock	168,613	154,912
	<u>\$ 13,779,865</u>	<u>\$ 13,262,437</u>
 Earnings retained for use in the business — Note E:		
Earned up to and including November 26, 1937, by predecessor companies	15,319,289	15,319,289
Earned subsequently to November 26, 1937	46,805,097	42,260,401
	<u>\$ 62,124,386</u>	<u>57,579,690</u>
TOTAL CAPITAL	\$ 90,904,251	\$ 85,842,127
	<u>\$119,218,243</u>	<u>\$114,229,106</u>

(See notes to financial statements.)

Notes to Financial Statements

January 31, 1955

NOTE A—The financial statements reflect adoption as of January 31, 1950 of the LIFO method of determining cost of inventories. The Company's claim to the right to use LIFO retroactively to 1941 is still pending, and the accompanying statement of financial position includes the amount of \$1,268,000 for taxes recoverable by the Company if retroactive LIFO is not sustained, and the reserve of \$3,214,118 for reduction in inventory valuation, less tax refunds, if retroactive LIFO is sustained. The balances in both of these accounts resulted from the accounting adjustments which reflected the adoption of LIFO as of January 31, 1950. These balances have remained unchanged, as adjustments for 1950 to 1954, inclusive, which would be applicable only in the event that retroactive LIFO is sustained, have been relatively immaterial. A more detailed explanation appeared in the notes to financial statements in the report for the fiscal year ended January 31, 1951.

NOTE B—The investment in Zeller's Limited consists of 190,500 shares of common stock. During 1954 the Company acquired 125,000 shares of common stock of Zeller's through conversion of the convertible note previously held at cost of \$2,446,939. Also during 1954, the options held by the Company to acquire 187,500 shares of Zeller's common stock from Walter P. Zeller and his associates were cancelled and the Company (1) purchased 3,000 of the shares for \$56,581, and (2) agreed to purchase between January 1, 1956 and February 1, 1960, the remaining 184,500 shares at \$18.25 (Canadian) per share. Mr. Zeller and his associates may elect to receive, in lieu of cash, presently authorized but unissued shares of the Grant Company's Common Stock at the ratio of 1 share for each 2 shares of Zeller's common stock (representing a maximum of 92,250 shares of Grant Company's Common Stock). The 184,500 shares have been placed in escrow with the voting rights vested in the Company. Therefore, the Company has voting control of 50% of Zeller's common stock. Zeller's has called in the outstanding shares of its former \$1,000,000 voting 6% preferred and \$2,000,000 voting 5% preferred stock and issued \$5,000,000 non-voting 4½% preferred stock. During 1954, the Company received on its investment in Zeller's \$62,535 in dividends on common stock and \$79,598 in interest on the note before it was converted.

NOTE C—Under the Deferred Contingent Compensation Plan, adopted during 1952, allotments contingently credited to participants are distributable in annual installments after termination of employment, provided that certain conditions prevail at the dates such installments would be distributable. The amount shown for the reserve at January 31, 1955 represents (a) to the extent that allotments are contingently distributable in Common Stock of the Company, the cost to the Company of 5,400 shares of its Common Stock held for this purpose, plus (b) provision for 49 additional shares at the January 31, 1955 market price, plus (c) the total of all participants' contingent cash allotments, which for each participant, is less than the year end market price of one full share. For the fiscal year 1954, the amount charged to earnings for this purpose was \$46,551. The amounts so provided were not deductible for income taxes in the years when allotments were made and do not reflect any estimate of the applicable reduction in income taxes available in future years when distributions will be made.

NOTE D—In accordance with the practice followed since inauguration in 1946, gross profits on sales on the installment basis are reflected in the financial statements of the Company when the sales are made, whereas for federal income tax purposes, such gross profits are reported as income as collections are received. At January 31, 1955, approximately \$1,509,000 for deferred federal taxes on installment sales is included in current liabilities.

NOTE E—The 3¾% Cumulative Preferred Stock is redeemable at the Company's option in whole or in part at any time at \$101 per share to August 1, 1955, and \$100 (par value) per share thereafter, plus, in each case, accrued dividends to date of redemption.

So long as any of the Cumulative Preferred Stock remains outstanding, there are certain restrictions with respect to payment of dividends (other than stock dividends) on, and purchase of, Common Stock. At January 31, 1955, approximately \$51,000,000 of earnings retained for use in the business was free of such restrictions.

NOTE F—Under the Employees Stock Purchase Plan originally approved by stockholders on April 18, 1950 and amendments thereto approved on April 27, 1954, there was authorized the issuance of not more than 293,935 shares of unissued Common Stock to be offered to employees under the Plan.

The total offerings made to January 31, 1955 covered 164,725 shares, net after cancellations due to terminations of employment, leaving 129,210 shares available for future offerings.

At January 31, 1955, of the 164,725 shares offered, the Company had entered into contracts for the sales, on a deferred payment basis, of 146,045 shares at approximate market prices at dates of contracts, aggregating \$4,292,115, and the remaining 18,680 shares were subject to acceptance within two years after the offerings.

At January 31, 1955, 62,920 shares had been fully paid for and issued and the unpaid balance for the remaining 83,125 shares amounted to \$2,394,592.

NOTE G—The Company intends to elect, under provisions of the Internal Revenue Code of 1954, to defer at January 31, 1955 the unearned income from carrying charges on its customers installment accounts. This election and other accounting adjustments relating to the allowances for doubtful accounts and for deferred carrying charges have the effect of decreasing profit before income taxes by about \$100,000. The election would result in a reduction of approximately \$400,000 in income taxes for 1954. However, because of legislation introduced in Congress in March 1955 designed to repeal retroactively the section of the Code granting this election, the Company has not reflected this reduction in the 1954 financial statements.

NOTE H—At January 31, 1955, the Company was lessee of real property under 531 leases expiring subsequently to January 31, 1958, at aggregate annual minimum rentals of approximately \$10,181,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately \$3,495,000 minimum annual rentals under 146 leases which were on a percentage of sales basis with specified minimum annual rentals, but does not include any amount for 13 leases which were on a percentage of sales basis without any specified minimum annual rentals.

Auditors' Report

**TO THE BOARD OF DIRECTORS,
W. T. GRANT COMPANY,
NEW YORK, N. Y.**

We have examined the statement of financial position of W. T. Grant Company as of January 31, 1955, and the related statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of W. T. Grant Company at January 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which, except for the change (with which we concur) explained in Note G of notes to financial statements, were applied on a basis consistent with that of the preceding year.

ERNST & ERNST

New York, N. Y., March 29, 1955

W. T. Grant Company

COMPARATIVE STATEMENT OF OPERATIONS

FISCAL YEAR

(Which ends January 31 of subsequent calendar year)

	1954	1953	1952	1951	1950
SALES	\$317,157,138	\$299,767,741	\$283,240,067	\$268,332,908	\$250,573,987
LESS:					
Cost of merchandise sold and operating expenses	294,433,836	277,268,038	261,025,974	245,979,059	231,689,882
ADD:	22,723,302	22,499,703	22,214,093	22,353,849	18,884,105
Interest earned	152,872	249,762	170,381	124,248	88,110
Other income	206,557	239,031	123,595	24,753	34,449
DEDUCT:	23,082,731	22,988,496	22,508,069	22,502,850	19,006,664
Depreciation and amortization	4,215,288	3,739,806	3,361,339	2,953,494	2,604,973
Interest paid	124,455	154,197	108,345	165,353	129,077
Other deductions	158,278	174,710	143,059	147,456	335,063
Provision for federal taxes on income	9,975,000	10,035,000	10,090,000	10,320,000	7,390,000
Provision for federal excess profits taxes	—	940,000	1,235,000	1,400,000	445,000
Refund (net) of federal taxes on income, under Section 722	8,609,710	7,944,783	7,570,326	7,516,547	8,102,551
	145,751	99,767	—	—	—
NET EARNINGS FOR THE YEAR	8,755,461	8,044,550	7,570,326	7,516,547	8,102,551
DEDUCT:					
Preferred dividends	562,506	562,506	562,506	562,506	562,506
Common dividends	3,648,259	3,625,258	3,602,205	3,586,972	3,572,154
ADD:					
Miscellaneous adjustments	—	23,505	—	—	—
Earnings of prior years retained in the business	57,579,690	53,699,399	50,293,784	46,926,715	42,958,824
Accumulated Earnings Retained, at end of year	\$ 62,124,386	\$ 57,579,690	\$ 53,699,399	\$ 50,293,784	\$ 46,926,715

COMPARATIVE STATEMENT OF FINANCIAL POSITION

AT END OF FISCAL YEAR

(January 31 of subsequent calendar year)

	1954	1953	1952	1951	1950
ASSETS:					
Cash	\$ 14,200,527	\$ 15,636,634	\$ 16,154,702	\$ 14,342,503	\$ 15,449,740
United States Government securities	173,735	234,078	291,371	295,393	925,992
Accounts receivable — customers installment accounts (net)	7,865,202	8,172,158	6,797,825	5,754,753	5,713,963
Accounts receivable — other	1,247,243	1,132,624	1,067,069	2,329,148	894,519
Merchandise inventories	45,676,626	39,564,481	38,294,791	34,807,085	35,708,947
TOTAL CURRENT ASSETS	<u>69,163,333</u>	<u>64,739,975</u>	<u>62,605,758</u>	<u>57,528,882</u>	<u>58,693,161</u>
Investment in Zeller's Limited, at cost	3,616,036	3,559,455	3,559,455	—	—
Cash surrender value of life insurance	2,691,172	2,604,069	2,513,236	2,426,409	2,341,223
Recoverable taxes if retroactive LIFO is not sustained	1,268,000	1,268,000	1,268,000	1,268,000	1,268,000
Miscellaneous investments, employees' accounts receivable, building costs to be repaid by landlords, etc.	2,157,863	1,893,035	1,283,396	3,045,160	2,730,375
Common stock of W. T. Grant Company held for deferred contingent compensation plan, at cost	139,106	84,636	—	—	—
Land and buildings, depreciated	3,384,053	5,417,925	5,810,430	8,867,199	9,378,466
Furniture and fixtures, depreciated	22,221,137	19,538,832	16,541,549	14,352,075	11,328,125
Improvements to leased properties (net)	12,639,822	13,232,650	12,851,230	12,699,519	12,259,170
Deferred charges	1,937,721	1,890,529	1,760,581	1,694,347	1,575,701
TOTAL ASSETS	<u>\$119,218,243</u>	<u>\$114,229,106</u>	<u>\$108,193,635</u>	<u>\$101,881,591</u>	<u>\$99,574,221</u>
LIABILITIES, RESERVES, AND CAPITAL:					
Accounts payable and accrued expenses	\$ 19,079,575	\$ 20,021,511	\$ 17,680,984	\$ 15,051,647	\$ 16,466,492
Real estate mortgages — current	—	—	235,766	276,866	514,930
Federal taxes on income — estimated (less U. S. Government securities)	3,530,452	2,762,253	1,611,880	637,951	—
TOTAL CURRENT LIABILITIES	<u>22,610,027</u>	<u>22,783,764</u>	<u>19,528,630</u>	<u>15,966,464</u>	<u>16,981,422</u>
Real estate mortgages — deferred	—	—	1,573,100	2,758,865	3,329,388
Reserve for inventory reduction, less tax refunds, if retro-active LIFO is sustained	3,214,118	3,214,118	3,214,118	3,214,118	3,214,118
Reserve for uninsured risks	1,500,000	1,500,000	1,500,000	1,366,616	1,215,909
Reserve for repainting stores	848,137	793,937	817,905	806,183	755,683
Reserve for deferred contingent compensation	141,710	95,160	29,988	—	—
CAPITAL:					
Preferred 3¾% cumulative \$100 par value	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Common	13,779,865	13,262,437	12,830,495	12,475,561	12,150,986
Earnings retained for use in the business	62,124,386	57,579,690	53,699,399	50,293,784	46,926,715
TOTAL LIABILITIES, RESERVES, AND CAPITAL	<u>\$119,218,243</u>	<u>\$114,229,106</u>	<u>\$108,193,635</u>	<u>\$101,881,591</u>	<u>\$99,574,221</u>

From the Story of W. T. Grant

and the early days of the business he founded . . .

These are a few of the interesting quotations from "The Story of W. T. GRANT" which the Company privately printed during the year. It is the story of William T. Grant's start in life and the early days of the business he founded, as told to his long-time neighbor and friend, the late G. Lynn Sumner:

THE OPENING STATEMENT—"Looking back to the earliest days that I can remember, it seems to me that I always wanted a store. As it turned out, I did not get it until my thirtieth year. But all through my boyhood and my youth the idea and the dream were there, even though I wasn't always clearly aware of it."

ABOUT THE OPENING DAY'S SALES OF THE FIRST GRANT STORE, DECEMBER 6, 1906—"Fifteen hundred dollars—in cash! What should I do with so much money? I had no safe and was fearful that, left in the store, it might be stolen. So I divided the money into three parts, gave a friend one part to take home for the night, hid a second part in the coal bin in the basement, and took the third part home myself."

ABOUT GRANT SALESWOMEN—"I give the salesgirls a lion's share of the credit for helping me to make that first store a success. If it had not been for them there wouldn't be any W. T. Grant Company as we know it today. That is why I am everlastingly boosting for the sales people."

ABOUT THE FIRST DAYS OF THE COMPANY—"One day years later, I was discussing our first Lynn store with a business friend, 'Let's see,' he commented, 'You opened that first store in December, 1906. Your first full year was 1907—the year of the panic. Didn't that present some additional problems?'"

"'Frankly,' I confessed, 'I never realized there had been a panic until I heard about it ten years afterward!'"

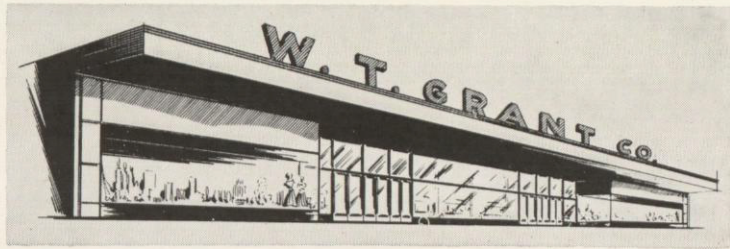
ABOUT AN EARLY LEGAL TRANSACTION—"On another occasion, while visiting my brother in Northampton, Massachusetts, I received a lease about which I needed some professional legal advice. My brother suggested a lawyer who lived across the street from him in half of a double house.

"The lawyer turned out to be Calvin Coolidge, who was then in the Massachusetts Legislature. He was very happy to accommodate me and, after an hour's discussion I asked him how much I owed him. He said, 'A dollar-and-a-half wouldn't be too much would it?', and I agreed that it wouldn't.

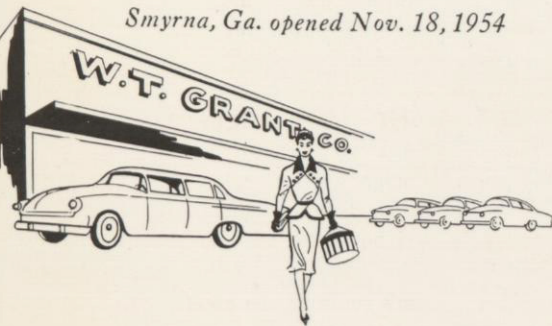
"Of course, neither of us at the time had any idea that my dollar-and-a-half lawyer would eventually be President of the United States."

CLOSING SENTENCES TO ALL GRANT EMPLOYEES—"I can't begin to tell you how proud I am of all of you who make up this wonderful organization, and how deeply I appreciate the help you have given me over the years in making my youthful dream of becoming a merchant come true.

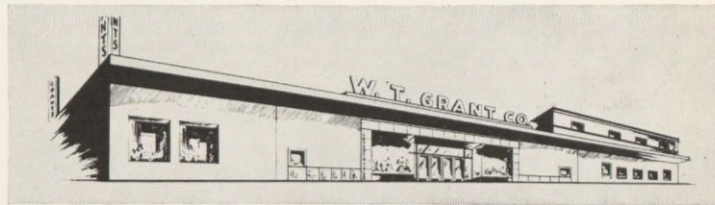
"As the weeks and months roll by, we are adding new chapters to the story—all of them interesting, some of them exciting. It will not be finished in the lifetime of us, but I take it that we are all having fun writing it. I know I am!"



Pasadena, Texas opened June 24, 1954



Smyrna, Ga. opened Nov. 18, 1954

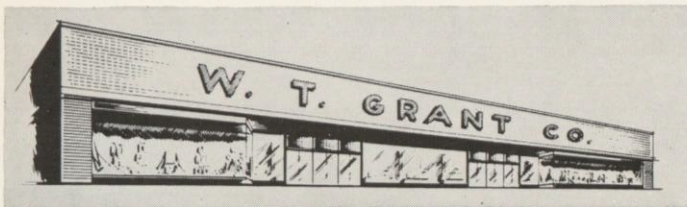


Dallas, Texas opened Aug. 5, 1954

Grants 1954 park and shop stores



Hicksville, N. Y. opened Nov. 18, 1954



Sharon, Pa. opened April 29, 1954



Massillon, O. opened June 10, 1954

Your company is continuously alert to opportunities in Park-and-Shop developments which afford a wide variety of merchandise and service attractions for the public, as well as ample parking facilities.

Six units of this type opened in 1954 are shown here.



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